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THE PROBLEM OF OVERSEAS TRADE

THERE has probably never been a time when the monthly returns of overseas trade were more closely and anxiously scrutinised. We all want to squeeze out of them the last drop of comfort which they will yield; and then we are not unwilling to put on magnifying spectacles to look at the drops. Of old they were just figures, statistical ammunition which Tariff Reformers and Free Traders threw at one another's heads. Now they are more like the temperature records of a very sick patient; death or life may be indicated by them. So month by month as they come we examine and tremble.

Upon the whole it may be said that the patient is a shade better, slightly less feverish though still far from normal. He was steadily failing all through the autumn of last year and the spring of this. Then came the shock of the coal stoppage and the poor fellow lapsed into unconsciousness. In July the beating of his heart could be felt, in August he opened his eyes; in September he began to take a little nourishment. There are hopes that he may recover, but he will need very careful nursing, and above all, freedom from industrial and official shocks. We must all pray that the nurses will be more competent than the attendant physicians who, between ourselves, are no better than quacks.

The essentials of British trade remain the same to-day as they have been for a generation past. Overseas trade is not with us a luxury, a dealing in superfluities, but a necessity of life. We must buy from abroad fully half the food that we consume and most of the raw materials required by our industries. We cannot pay for these imports except by selling to customers abroad our one great raw material (coal), the products of manufacture, and the "invisible" services of the ships, bankers, financiers, and insurance markets. Great commercial centres like London, for example, depend too on the *entrepôt* trade, the re-sale of imported stuffs. Imports, exports, and re-exports all act and react on one another. If we cannot buy food our people cannot live; if we cannot buy raw materials our factories cannot live; if we cannot manufacture at a cost which our customers abroad can pay we can neither buy food nor raw materials.

At the present moment the position is roughly this: We have a larger population than we had in 1913, about two millions larger, but the volume of our sales to overseas markets is not more than half what it was in 1913. Even in the first half of 1920, that year of fantastic value and apparently booming trade, our sales were less than three-quarters in volume of our sales before the war. British shipping was earning fabulous freights, and British coal, cottons, woollens, and machinery were fetching fabulous prices, but the whole fabric of trade lacked substance; when the crash came it collapsed. What we are now doing is painfully to pick up the pieces. We are managing, now in the autumn of 1921, to sell abroad about half as much as we did in the autumn of 1913; not so very hopeless a position when one considers the years which lie between. But shipping which was highly prosperous is now as deeply depressed, and it is upon the earnings of shipping that we chiefly depend to fill up the gap between imports and exports which is called the "balance of trade." Our "invisible exports" have shrunk more during the past twelve months than our visible exports, and that is very serious, though the measure of its seriousness cannot be expressed in definite figures. For if the earnings of shipping with the other comparatively small contributions to invisible exports cannot fill up the gap of twenty-five to thirty millions monthly between imports and exports, we are buying from abroad more than we can pay for, and incurring new foreign debts, when we have already more than enough.

Let us turn from this unhappy though terribly important subject of British shipping and look again at the patient, who is feeling slightly better. In sickness one is grateful for slight improvements. Our most important exports are coal for bulk, and textiles, iron and steel, and machinery for value. Since the coal stoppage ended the overseas coal trade of this country has been distinctly looking up. The exporting collieries have boldly cut their prices and are regaining—at a painful loss in money—their old markets. They are selling more than twice as much coal abroad as they did a year ago, and the price has come down to 30s. a ton last month against 90s. a ton in September, 1920. Though 30s. a ton, free on board, is a third of the scarcity price of last autumn and is below the cost of production, it is still more than twice the price of 1913. Coal is still too dear though sold at less than the cost of raising from the seams. Coal is the life blood of shipping; it provides outgoing freights and full bunkers. In volume of exports coal has more than doubled, and this is a bright feature, as the trade position for shipping is concerned with volume rather than with value; with the volume of general cargoes down to less than half what they were before the war shipping inevitably must be depressed.

Some other essential exports are like coal, up in volume as compared with last year's, though down very much in value. The one involves the other. Until our products came down in value from the inflated levels of the after-war boom they could not expand in volume. Cotton yarns last month were up 35 per cent. in volume and down 47 per cent. in value. Woollen and worsted yarns were up 25 per cent. in volume and down 48 per cent. in value. Both cotton and woollen tissues were down in quantity, though much more down in value. Iron and steel and machinery were much down in volume because they were not nearly enough down in value. These few examples reveal what is the crux of our trade problem. Trade overseas can be done at a price though not easily at our price. As export values come down export volume almost automatically increases. We

must regain our trade as we originally built up our trade—by dumping. We, the champion dumpers of the world, must once more dump ourselves into prosperity. Dumping, price-cutting, will involve many sacrifices—sacrifices of profits, of wages, of reserves of capital. But these sacrifices must be faced if overseas trade is to be regained in anything like its pre-war volume. Just at the moment, by the beautiful irony of circumstance, when we are putting into operation the "anti-dumping" legislation of our wise rulers, British manufacturers, merchants, and workmen are being driven to combine together and dump their way into the world's markets in the good old British fashion which has never yet failed them.

NOTES ON THE OUTLOOK

It cannot be said that anything has happened this week to make the general position look more favourable. It is possible enough that the public is too pessimistic owing to the continued evidence that it gets, in announcements of dividends passed, of the serious position in which our trade has found itself and still finds itself, which make it ignore such slight indications of improvement as are manifest, such as the steadying of the market for wholesale commodities. But the public's attitude has plenty of foundation. It is evident that we cannot get back prosperity until we have settled conditions abroad, improved international trade relations, and lowered cost of production at home, and the past week does not seem to have helped us on any of these points. The League of Nations decision with regard to Silesia, with its demoralizing effect on the German exchange, cannot be called an international "bull point"; hopes of revival of trade with Russia—one of the essentials to world recovery—are not improved by Mr. Leslie Urquhart's statement showing why the Directors of the Russo-Asiatic Corporation have decided not to accept the Soviet Government's terms for the return of the company's properties; and as to cost of production, a good deal of anxiety is felt lest the measures which the Government is hatching for the relief of unemployment will have an adverse effect on this all important problem.

Money Exchange and Stocks

A very uninteresting week was passed by the Money Market. Faint hopes were once expressed that Bank rate might come down and were once more disappointed. Money became plentiful though for some time there seemed to be little surplus, perhaps because the bankers have taken so many December Treasury bills, that there is now very little between their price and that of Januaries. The Bank return showed a further addition to the market's resources, owing to the Government's borrowing disbursements. In the exchanges the strength of sterling in New York was viewed with some suspicion as being possibly engineered by speculative holders; unusually large American purchases of Egyptian cotton, and the issue of the Queensland loan in New York, may have helped it, but it did not show much staying power. The German exchange crossed the 500 line and soared over it, chiefly, it was said, owing to political influences and the French and Italian went with it. On the Stock Exchange the strength of investment securities was slightly damped by the expectation of new creations, by Victoria, New Zealand and other borrowers. Home Rails were still a poor market and Foreign Rails likewise, with the passing of the interim dividend on Antofagasta Deferred as another wet blanket. Oil and Rubber shares went dull, after being rather firmer and in industrials textiles looked better but steel shares were weak.

Mexican Oil Problems

A correspondent writes :—" Apropos the Mexican oil situation and the apprehension engendered by persistent reports of the near exhaustion of Amatlan, the present chief source of supply, the reminder of Senor Capmany, Mexican Secretary of Industry, Commerce and Labour, that 'at the side of an old well no longer producing a new well of large yield is very apt to gush' is timely, and has the advantage of being a literally true statement, as nearly every weekly field report illustrates. With respect to the salt water menace to Amatlan it is curious to read of one or more wells on a given lot being abandoned through salt water trouble, and in the same or a following report to have recorded the bringing in of a big 'gusher' on that identical lot. It is a puzzling phenomenon to the layman. Naturally, the life of a gusher is usually a short one—the largest in the United States not extending beyond a few months—but such wells in Mexico are, as a general rule longer-lived than elsewhere on the Western Continent, some of them having lasted several years. Comparisons in respect of Mexican gushers can be made only with those within the oilfields of the Republic itself. It is well known that as producers the Mexican wells have never had their counterpart. They are not pumped as in the United States. When permitted, they flow to the last barrel of oil beneath the surface, owing to the tremendous pressure of this underlying 'salt water' which is now receiving publicity only for its disservice. The records of salt water in the Mexican fields are not all on the debit side. The query most exercising interested quarters here just now is, 'What will be the effect on the Mexican Eagle Co., and its proximate future?' That an effort is being made to force the management 'into print' again on the Mexican oil outlook, insofar as it affects the company, is obvious. Whether it will succeed is another matter. There are no present indications that the Mexican Eagle management contemplate issuing a statement ahead of the time (December) scheduled for such report, which can be interpreted to mean that since their last public utterance of a few months back there has been no untoward development in respect of the company's properties and prospects for which provision had not been made. It is probably correct to say that there is on the management's part no intention to allow intermittent official announcements to develop into a habit. In common with the other companies operating in Amatlan, the Dutch-Shell group have had their salt water troubles, but they are lighter and in every respect more tolerable than in the instance of their competitors. There is much talking in the dark as to the particular field the Eagle is looking to to replace Amatlan and sustain its shipping obligations, but the only concrete fact is that its territorial concessions now amount to between 500,000 and 3,000,000 acres—these the best prospects Mexico has to show. Another point is that the territory of highest promise south (to the Isthmus of Tehuantepec and the States of Tabasco and Chiapas) of the present active fields in the State of Vera Cruz, is dominated by the Eagle."

Queensland in New York

That a British Colony should be borrowing in New York is not quite as startling an event as it seems at first sight. After all the United Kingdom itself has done a great deal of borrowing there during the war and Canadian public authorities have raised the wind very freely in the same quarter. The case of Queensland was, of course, exceptional, because Queensland, owing to its policy in respect of pastoral leases, is in bad odour in London and has refused to reconsider that policy which is regarded as confiscatory by those who regulate the flow of capital here. It is an open secret that if the borrower had consented to make this concession the loan would have been raised in London. Now Mr. Theodore, the Queensland Premier, has raised what he needs in America, and a touch of comedy was given to the proceedings by two telegrams which appeared in the same page of last Saturday's *Times*, one of which—a Reuter message—reported that Mr. Theodore flatly denied that the Queensland Government was carrying on financial negotiations anywhere else than in London,

and the other, from the *Times* New York correspondent recorded that $12,000,000 Queensland 20 year 7% Gold Bonds had been offered there on October 7 at 99 to yield 7.10 per cent.

A Speculation in Exchange

Official confirmation of the issue was forthcoming in the form of an announcement that the Agent-General for Queensland had received the following cablegram from his Government: "Government have arranged with National City Bank of New York through Commonwealth Bank for Loan of $12,000,000 at cost to Government of 4 per cent. underwriting charges, brokerage, advertising etc., issue price 99; interest 7 per cent.; period 20 years. Transaction is straight out dollars loan. Loan interest and sinking fund payment on dollars basis, thus ensuring that Queensland will get full benefit inevitable improvement rate of dollar exchange over period of 20 years. As rate improves cost of remittance interest and sinking fund payment will decrease, and it is more than probable that this factor will result in cost of loan to Queensland over the whole period of 20 years working out at under 6 per cent. Sinking fund provisions operate for whole period of loan. We intend converting dollars into sterling which would result in material advantage to the State. Government is gratified at the manner in which issue was received in America." When a Government borrows in foreign currency it runs a risk on exchange, as our own has found to its cost, but Mr. Theodore can certainly claim that the chances are in favour of a profit from the transaction, though it is a little rash on his part in these times to talk about anything in the world of exchange being "inevitable." He has done a smart stroke of business, from his own point of view, for the moment, though whether it will pay Queensland in the long run is a much bigger question than the chance of an exchange profit on this particular operation. It may also be questioned whether New York was well advised in lending to a borrower which has been acting in a manner which has made those who have placed capital within its borders, for legitimate purposes of productive development, sorry that they did so. With capital threatened all over the world by confiscatory legislation it is clear that those who handle it are doing themselves an ill-service when they encourage those who maltreat it, by lending them money. Capital can only protect itself by refusing, to those who do not give it a fair deal, further supplies in future, and if the capitalists of one centre will not support those of another in applying this only weapon that capital has for securing fair treatment, financial rectitude stands a poor chance. The Labour leaders in New South Wales were quick to point the appropriate moral and passed resolutions calling on their own Government to resist pressure from London and persist in its policy with regard to pastoral leases.

New York's Lending Activities

For these reasons we cannot very heartily congratulate New York on the circumstances of this first appearance as a lender to our Australian kinsmen, involving as they do a loan to a borrower who is justly discredited in the eyes of those who had formerly supplied his needs. On other accounts, however, the greater activity of New York as a centre for the provision of capital for the rest of the world is all to the good. Since the American Government has, like our own and most other Governments, marked its practical approval of the doctrines of the Brussels Conference in favour of the freest possible interchange of commodities between nations, by raising its tariff and so making that interchange more difficult, the United States now stand in the absurd position of a creditor of all the world who refuses to take from its debtors the goods which are the most important form of payment that these debtors can use for the payment of what they owe. As long as they maintain this attitude the rest of the world can only pump gold into them to the increasing embarrassment of the authorites at the Federal Reserve Banks and also pour into America as many promises to pay as her investors can be prevailed upon to absorb. On the day when the Queensland loan was offered the New York market also took 12,000,000 dollars City of Rio de Janiero 25 year 8% bonds and that a large Chilian loan is also talked of for the purpose of electrifying railways in Chile.

A Successful Life Office

In these days of depreciated investments, high rates of taxation, and disappearing surpluses a life office which can maintain its pre-war rates of bonus, without relaxing the severity of its valuation standards, is something unusual. Yet the Clerical Medical and General Life Assurance Society has done both these things and published a report which partly explains the miracle. The higher rates of interest now earned have more than counterbalanced the income tax, and a low mortality—so low that the death claims for the past five years, including war casualties, have been no more than 65 per cent. of those expected—has powerfully helped to conserve the funds. Perhaps the most important influence upon the future is the change over which the directors have made from long-dated investments to short-dated bonds recoverable at par or at a premium. Once the losses on sales of securities had been written off the bogey of depreciation was laid and a comfortable margin for future profits set up in the difference between the purchase price and the redemption value of the new bonds. The Clerical Medical and General has now a "hidden" margin of £212,000 of which three-quarters will, by redemption, fall into the divisable profits of the next ten years. The total profit of the five years to June 30 was £756,244, and the bonuses to policy holders of 1911 and 1916 are maintained as though there had been no war.

America and its Gold

According to a statement in the *Wall Street Journal* of September 24 a loan of 500 million dollars gold to England is being mooted by international bankers in New York with the object of promoting credit facilities throughout the world and chiefly in Continental Europe. "It is known here that German interests have made strong representations to London that they can meet forthcoming reparation payments only with the greatest difficulty. Financial advisers in London have acknowledged the untowardness of the difficulty but at the same time have advised that strong efforts be made to meet the payment and that they would see the matter through. American gold will undoubtedly be sought to a very large amount by these London bankers," and so on. The *Wall Street Journal* also tells us that because of the expected benefits to be derived the proposed rate of interest is put at 2½ or 3 per cent., that the gold will not necessarily be sent to this side though it may perhaps be shipped to Montreal, and that while England herself is not in need of assistance, it is believed to be practicable, owing to the reluctance of American bankers to take risks in Europe to "entrust extensive credit ventures to English experience and understanding of European conditions."

Do We Want the Gold?

All this is very pleasant and flattering and the proposed arrangement seems likely to benefit everybody. America will get 2½ to 3 per cent. on 500 million dollars worth of gold that is at present eating its head off, we shall make an honest broker's turn by taking the necessary risk and lending the money to Germany, Germany will use the money for paying reparations, we and the Allies who get the reparation money will use it for paying our debts to America and the process can be repeated until the whole of the German indemnity is

paid and the whole of our debt and those of our Allies to America have been liquidated. And yet somehow the scheme is not quite so good as it looks at first sight, for at the end of it we shall find ourselves more than ever in America's debt though at a lower rate of interest, with an asset against the debt in the shape of a great loan to Germany, and in the meantime America will not have succeeded in parting with its gold. In fact, in view of the present temper of the monetary authorities here, it is obviously most undesirable that any of the gold should be sent to Canada and so become available as part of the Bank of England's stock of gold. What we have been suffering from in this country is not lack of gold but over-creation of paper currency and credit. If 100 millions sterling were added to the Bank of England's gold stock or even to the cash holdings of the other banks and the rest of our credit machinery began to busy itself in creating the vast fabric of new credit which it would consider itself entitled to build on this foundation, the steps that the Treasury and the Bank of England might think it necessary to take in order to prevent naughty people from speculating might be really rather terrifying.

UNITED STEEL COMPANIES

In view of the uncertainties and difficulties that now surround the industrial position exceptional interest was roused by the speech of the chairman of this company explaining to the shareholders the reasons for the absence of a final dividend for the year ended on June 30 last. The explanation was very much what was expected by all who are familiar with recent events in industry and finance. The chairman reminded the meeting that the combination which forms the shareholders' property was brought into being in order to secure in its own hands the raw materials required in the business. For two years it was fully justified on the ground of profits, these apparently having been earned between the middle of 1918 to the middle of 1920, that period of exceptional prosperity, while during the first half of the current financial year (up to December 31 last), "very substantial profits were made." During the second half, December to June, "we were up against the greatest slump in heavy industries that has ever taken place—and on top of that a coal strike. This and the cessation of purchasing in every direction closed down our works completely for many weeks. It followed as a matter of course that in such circumstances it was impossible to make money during the second half of the year."

THE EXPLANATION AND THE OUTLOOK

At the same time revenue suffered from having to bear heavy charges on capital expenditure, which has been and is still being incurred, which has not yet borne fruit. Moreover, very large stocks of raw material "which we, in common with almost every other manufacturing industry have been obliged to accumulate in view of a probable lengthy period of good trade, which in the early part of 1920 appeared to be certain," have had to be written down in the accounts of the various concerns owned by the combination. These stocks were bought in the early part of 1920 "when supplies were at famine point, and at the prices then ruling," and the collapse in trade found the company with very heavy stocks in hand and heavy commitments. In other words the company, like many others, expected the after-war activity to last and backed its view heavily. Now it has E.P.D. to fall back on, thanks to the Government's short-sighted retention of a war tax in time of peace, but even so has had to face a very heavy loss. It is the almost general experience. The chairman stated that all the stocks are now written down and commitments brought to a point which relieves the Board from all anxiety. As to the future the restarting of the works is broadening gradually, and there is good ground for the opinion that improvement will steadily continue, "but it must be obvious to every thinking man that in the present circumstances of trade it cannot be rapid." Cost of production is still very much above that of foreign competition, and until this is remedied it cannot be expected that the works in this country can be brought to anything like full operation; and "the strike of buyers still continues." It is a frank but not very cheering statement.

NEW ISSUES

Subscriptions were invited at 95½ for £3,000,000 New South Wales 6 per cent. Inscribed Stock, 1930-1940, repayable at par on November 1, 1940, the borrower having the option to redeem the stock in whole or in part, at par, on or after November 1, 1930, on three months' notice. New South Wales Government Debentures and Inscribed Stock issued and payable in London, and the interest thereon, the property of persons not domiciled in New South Wales, are not, and will not be, subject to any taxes, duties or levies in that State. The stock will be inscribed at the London County Westminster and Parr's Bank Limited, and will be transferable free of stamp duty. The first six months' interest will be paid on the 1st May, 1922. The prospectus is of the old-fashioned uncommunicative kind, saying nothing about the revenue, expenditure or financial position of the borrower, and merely observing that the money is wanted "for Public Works and Services and other purposes." How much is for public works, whether they are likely to produce revenue, how much is for "other purposes"—on all these points the lenders are left to make their own guesses. The stock is a "trustee" investment, and there's an end of it. The investing public, however, seems to like this system, and the list was very quickly closed.

The Rosario Drainage Company, Limited, offered at 90 an issue of £200,000 (part of £250,000) Seven per Cent. Prior Lien Debenture Stock, to be redeemed by means of a cumulative sinking fund of 1½ per cent. per annum of the total authorised issue (beginning with year 1922) either by purchase in the market or otherwise at a price not exceeding 105 per cent. or by annual drawings at 105 per cent. (plus accrued interest) the balance remaining unredeemed on the 1st July, 1941, to be redeemed on that date at 105 per cent. The Company may redeem the Prior Lien Debenture Stock at 105 per cent. at any time on six months' notiec and in the event of liquidation, the Stock will be repayable at 105 per cent. The company's gross net revenue is set out clearly for nine years and shows very satisfactory progress and ample cover for the service of the issue; but no balance sheet or statement of liabilities is given, and the Prior Lien Debenture stock is described as having a "first floating charge" on the Company's property. Presumably a specific first charge is impossible in the case of a drainage system.

The National Benefit Assurance Company, Limited, announces an issue of 125,000 9 per cent. First Cumulative Preference Shares of £1 each at par. The Company was established in the year 1890, and now transacts all classes of insurance, including life, fire, marine, employers' liability, accident, motor, and also property investment; the figures given show rapid expansion in premium income and in total assets. The proceeds of this issue are required to provide deposits with the Governments of certain Colonies and foreign countries in which the Company carries on and proposes to carry on business and to finance the Company's expansion at home and abroad. The prospectus gives no balance sheet and does not show clearly how the net income is arrived at.

PUBLICATIONS RECEIVED

Imperial Commerce, for October, with articles on expensive coal production, exports, reparations, currency, etc., and one on Labour's New Council, by Mr. Clynes.

Particulars and Statistics Concerning Foreign Securities. Issued by Messrs. Geo. Kitchin & Co. Gives particulars of men, population, debt, financial, trade, etc., of foreign countries, and municipalities whose securities are quoted in London.

Purse and Politics, by Robert Sencourt. George Allen & Unwin.

Take It In Time, by the author of 'How to Make a Fortune.' Mills & Boon. 2s. 6d. net.

Progressive Co-partnership, by Ernest Walls. 12s. 6d. net.

REVIEWS

Other People's Money. By "A Trustee." Mills & Boon. 2s. 6d. net.

THIS little book consists of a series of articles, on the duties and difficulties that have to be faced by trustees, published not long ago in the *Economist.* It is written in a clear and polished style most rare in books on financial subjects, and lightened with a pleasant humour which relieves the dryness of the subject with an occasional touch of good-natured malice. In his introductory chapter the author observes that "the qualities which make men most willing to accept, or least capable of refusing, the honorary offices of executor and trustee . . . are not those which best fit them for the discharge of the duties." And he points out that the reason why we saddle ourselves with these onerous and tiresome responsibilities is because "in the beginning vanity, good nature and inexperience conspire to undo us and by the time the first is satisfied, the second exhausted and the third schooled, we are tightly harnessed up to our load and being driven by masters (and mistresses bless them!) who are as impatient of our jaded paces as we are of their importunities and follies." The writer is extremely well qualified by experience and knowledge to tell trustees what they have to do and how to do it, what they ought not to do and how to avoid it, and the book should be a godsend to many amateurs who find themselves entangled in a maze of problems which they are wholly unfit to unravel by their own unaided exertions. There is also a chapter on "Making, Retaining and Realising Investments" which is of interest, not only to trustees, but to all investors. "Everyone," says the writer, "who undertakes to deal with other people's money ought himself to have a firm grasp of the simple fundamental principles underlying investment. . . . When a trustee is investing on behalf of others an ounce of sound theory is worth to him more than a ton of City tips." These doctrines evidently apply to some extent to those who have to invest money for themselves. Let us consider the maxims which the writer puts forward for the guidance of trustees. No. 1 is 'Safety First"—certainly sound for trustees but not always so for ordinary investors. When once a man has acquired from his investments a sufficient income for his needs in his station of life and for those who come after him, he is not only entitled but almost bound to promote industry and development by taking fair risks in subscribing to or purchasing securities with problematical prospects, which offer a high reward if the venture succeeds and involve loss if it fails. If all investors thought of safety only, and laid too much stress on safety first, economic progress would be checked if not killed. The 2nd maxim is the well-worn saw which says that "the better the security the lower the yield." It assumes that the verdict of the market for the moment on the price of a security is absolutely correct and is arrived at through perfect knowledge of all the possibilities and conditions which make up the real basis of the true value of a promise to pay. As a rough guide to trustees it is almost certainly more often right than wrong, though even in the case of trustee securities convention and habit probably have a good deal more to do with the prices of securities than is generally recognised. The writer observes in the next maxim, "Everything that the market knows for or against a particular investment is discounted in the price." This may be true, but the market does not always knows everything and is capable of drawing incorrect inferences from what it does know, and when he proceeds to his next maxim that "to back one's own judgment against that of the market is to speculate," he appears to include in his definition of the word "speculate," any attempt to earn a benefit by paying a low price for a security at which the seller offers it because he has not realised its true value. It may be true that any such attempt is outside the scope of a trustee's business, but when these maxims are included among "the simple fundamental principles underlying investments" the author appears to be setting them up as rules which should guide all investors. It may also be observed that any attempt to supply general principles for investment carries with it serious danger that ignorant people, who are only half able to comprehend them may misapply them with disastrous results for themselves and others. The large number of uninstructed trustees who handle comparatively small trusts, often under deeds which give them dangerous latitude for investment, are best advised to give as little attention as possible to the matter themselves but to put it into the hands of a well qualified professional adviser. We miss from this otherwise comprehensive work a discussion of the question of the basis on which our Trustee Acts have been drawn up and how far it requires revision in the light of the comparative improvement in the security that can be obtained outside the British Empire, and the diminution in the security of some of the investments which are within the scope of the Act, owing, for example, to political happenings in certain of our Dominions, the weakened financial position of some of our municipalities, and the doubts attaching to the future net revenue of some of our Home Railway Companies. A still more serious omission is the unscholarly absence of an index.

Unemployment, The Cause and a Remedy. By Arthur Kitson. Cecil Palmer, 5s. net.

MR. ARTHUR KITSON is one of those hearty enthusiasts whom we are bound to respect. A hardworking manufacturer, he has long been convinced that our monetary system was bad and a hindrance to trade and production, because it restricted the supply of currency and credit and consequently, in his view, restricted the amount of business that could be done. This doctrine he has preached for years, with untiring zeal and at considerable expense to himself, and he is now more than ever convinced of its truth because he thinks that currency expansion has made Germany "the most prosperous industrial nation in Europe," while we are now "reaping the fruits of the policy advised by the Cunliffe Currency Committee, by Professor Pigou, by Mr. Basil Blackett of the Treasury Department, by the Governors of the Bank of England, by the City Editors of the *Times,* the *Daily Mail,* and the *Morning Post,* and all the other advocates of dear money." Last February he met some people at dinner and aired his views at length. Challenged by his opponents to furnish a remedy for unemployment he wrote articles that appeared in the *Times Trade Supplement* and are now republished in this book with the criticism of the *Times* City Editor. The gentlemen who challenged him have acknowledged that the terms of their challenge have been fully satisfied. As far as we can follow his argument, which is vigorous rather than lucid, Mr. Kitson has not furnished a remedy of his own, but has adopted one put forward by Major Douglas in a book called

'Credit Power and Democracy' and elsewhere. Mr. Kitson tells us that Major Douglas "found, by a system of costings, that the purchasing power distributed to the public by the industrial system in all countries could not possibly enable them to purchase more than a small proportion of the goods made, even if these were offered at the minimum price of bare costs." There would seem to be something wrong about the Major's discovery, since industry has somehow or other sold most of its goods all down the ages at prices very much above bare costs, so that at least the necessary purchasing power has been forthcoming. On this shaky foundation Major Douglas builds an astonishing system by which each industry is to sell its product at a price to be fixed by statute and "to be regulated at a percentage of the ascertained cost," and the Government is then to reimburse to the producers the difference between their total cost incurred and their total price received by means of Treasury notes, "such notes being debited, as now, to the National Credit account." The price of any commodity is to "bear the same ratio to cost as the total national consumption of all descriptions of commodities does to the total national production of credit." Small wonder that Mr. Kitson's challengers expressed themselves as satisfied when faced by this, to us, wholly incomprehensible scheme. They would have been gluttons indeed if they had asked for more. We cannot criticize it because we cannot understand it; but it seems to imply State-regulated prices below cost of production, with a continued flow of new Treasury notes. Those who really believe that the printing press is the true remedy for all economic evils may agree with Mr. Kitson and Major Douglas, especially when they hear that one of the latter's aspirations is that every citizen might receive an income from the State instead of being taxed. It is indeed a beautiful vision and we can only pray that it may come true, while at the same time irresistibly feeling that if the Douglas scheme is the only solution for unemployment, unemployment is here until further notice.

FIGURES AND PRICES

GOVERNMENT DEBT (in thousands)

	Oct. 8, '21	Oct. 9, '20.
Total deadweight	7,740,555	7,761,000
Owed abroad	1,138,037	1,197,138
Treasury Bills	1,161,520	1,078,401
Bank of England Advances...	37,250	60,000
Departmental do.	157,283	151,364

NOTE.—The highest point of the deadweight debt was reached at Dec. 31, 1919, when it touched 8,033 millions. On March 31 last it was stated in the Budget speech to be 7,573 millions. Of the increase shown since then 102 millions represent a nominal addition, due to a conversion scheme.

GOVERNMENT ACCOUNTS (in thousands)

	Oct. 8, '21.	Sept. 30, '21.	Oct. 9, 20.
Total Revenue from Apr. 1	474,783	456,163	646,001
,, Expenditure ,, ,,	540,338	497,993	578,131
Surplus or Deficit	—65,555	—41,830	+67,870
Customs and Excise	161,637	156,744	162,721
Income and Super Tax	147,297	140,057	131,751
Stamps	7,536	7,386	13,636
Excess Profits Duties	28,644	27,064	115,137
Post Office	24,000	23,250	24,000
Miscellaneous—Special	52,417	52,217	155,040

BANK OF ENGLAND RETURNS (in thousands)

	Oct. 12 '21.	Oct. 5, '21.	Oct. 13, '20.
Public Deposits	15,016	19,266	18,201
Other ,,	134,790	127,772	123,971
Total	149,806	147,038	142,172
Government Securities	64,851	58,541	63,708
Other ,,	80,372	84,949	81,676
Total	145,223	143,590	145,384
Circulation	124,613	125,667	127,123
Less notes in Currency Res.	105,163	106,217	108,373
Coin and Bullion	128,422	128,413	123,154
Reserve	22,258	21,891	14,481
Proportion	14.8 %	14.4%	10⅛%

CURRENCY NOTES (in thousands)

	Oct. 12, 1921.	Oct. 5, 1921.	Oct. 13, 1920.
Totall outstanding	313,593	311,472	356,477
Called in but not cancelled	1,866	1,875	3,171
Gold backing	28,500	28,500	28,500
B. of E. note ,,	19,450	19,450	18,750
Total fiduciary issue	263,777	261,647	306,056

NOTE.—The maximum fiduciary issue for 1921 has been officially "fixed" at £317,555,200.

BANKERS' CLEARING RETURNS (in thousands)

Week ending	Oct. 12, '21.	Oct. 5, '21.	Oct. 13, '20.
Town	520,889	695,964	593,827
Metropolitan	31,246	33,334	39,839
Country	60,997	61,105	77,017
Total	613,132	790,403	10,683
Total to date	27,361,998	26,748,866	30,978,094

LONDON CLEARING BANK FIGURES (in thousands)

	Sept., 1921.	Aug., 1921.
Coin, notes, balances with Bank of England, etc.	254,378	254,379
Deposits	1,806,910	1,814,710
Acceptances	49,986	47,738
Discounts	383,280	397,567
Investments	315,476	322,032
Advances	816,724	804,371

MONEY RATES

	Oct 13, 1921	Oct 6, 1921	Oct. 13, 1920.
Bank Rate	5½	5½	7
Market Rate (3 months)	4¼	4⅜	6⅝
Market Rate (6 months)	4⅜	4⅝	6½
Short Loans	4	4	5½
Federal Reserve, N.Y.	5	5	7

FOREIGN EXCHANGES

NORTH AMERICAN	Oct. 13. 1921.	Oct. 6. 1921.	Oct. 13. 1920.
New York	3.84	3.77¼	3.49½
Ditto, one month forward	3.84⅛	—	—
Montreal	4.20	4.16½	3.85
Mexico	2/9	33d	—
SOUTH AMERICAN			
B. Aires	45¾	48¼d.	57¼d.
Rio de Janero	8 3/16	8 7/16d.	—
Valparaiso	32.30	33.00	10¾d.
Montevideo	42½	43¾d.	57¼d.
Lima	6½%prem	5% prem.	—
EUROPEAN			
Paris	54.00	52.15	53.09
Ditto, one month forward	54.00	—	—
Berlin	550	457	232
Brussels	54.10	53.15	50.32½
Amsterdam	11.46	11.66½	11.28½
Switzerland	20.90	21.35½	21.92
Stockholm	16.64	16.63	17.77
Christiania	31.75	31.30	25.35½
Copenhagen	20.25	20.19	24.97½
Helsingfors	250	252½	129
Italy	103	93⅝	88.12½
Madrid	28.80	28.77½	24.21½
Greece	93½	89	36.10
Lisbon	6	6⅛d.	10¼d.
Vienna	7,500	6.600	910
Prague	355	352½	270
Bucharest	510	432	19½
Belgrade	230	220	—
Sofia	525	555	—
Warsaw	15.000	18.000	970
Constantinople	665	690	—
EASTERN			
Alexandria	97½	97½	97½
Bombay	1/5½	17⅜d.	20⅛d.
Calcutta		17⅜d.	20⅛d.
Hongkong	2.11	36d.	47½d.
Shanghai	4.1	48¾d.	64¾d.
Singapore	2/3¾	27 31/32	27 27/32d.
Yokohama	2/6⅝	30 1/16d.	34 15/16d.

OVERSEAS TRADE (in thousands)

	nine months 1921.	1920.	%
Imports	827,678	1,501,412	— 44
Exports	518,661	1,007,278	— 48
Re-exports	77,639	180,458	— 26
Balance of Imports	231,338	313,676	— 56
Export cotton goods, value	113,073	271,679	— 58
Export woollen ,, value	42,950	105,644	— 59
Export coal value	27,856	78,492	— 64
Ditto quantity tons	13,351	19,851	— 32
Export machinery value	57,601	42,245	+ 26
Tonnage entered	27,495	27,022	+ 1
,, cleared	24,389	27,630	— 11

UNEMPLOYMENT.

	1921 Sept. 30	1921 Sept. 23	1920 Nov. 26
Men	1,076,700	1,101,949	378,284
Women	230,100	243,706	103,420
Juveniles	96,900	98,704	42,704
Total	1,403,700	1,444,359	524,408
Short Time	322,815	344,815	—

NOTE.—In addition to those on the "live" register of the Labour Exchange, 368,583 persons who are wholly unemployed have exhausted their Unemployment Insurance and have not maintained their registrations for employment. On September 30 the number of such persons whose benefit was exhausted and who had maintained their registrations was 170,209, the number of short-time workers in the same category being 41,428.

COAL OUTPUT.

	Oct. 1, 1921 tons.	Sept.24, 1921 tons.	Sept. 25, 1920 tons.
	4,114,200	4,273,900	4,834,000

IRON AND STEEL OUTPUT.

	1921 Aug. tons.	1921 July. tons.	1920 Aug. tons.
Pig Iron	94,200	10,200	752,400
Do., eight months	1,670,800	—	5,648,000
	1921 Aug. tons.	1921 July. tons.	1920 Aug. tons.
Steel Ingots and Castings	434,100	117,200	709,200
Do., nine months	1,966,300	—	6,376,100

RETAIL.

Food, All Items	—	225	258*

* July, 1920.

COMMODITY PRICES (according to the *Economist*).

Wholesale—	Sept. 1921	Aug. 1921	Sept. 1920	July 1914
Cereals and Wheat	1,119½	1,184	1,504	579
Other Food Products (Tea, Sugar, etc.)	688	716½	928	352
Textiles	1,258	998	2,362½	616½
Minerals	871	920½	1,311	464½
Miscellaneous (Rubber, Timber, etc.)	987½	1,000	1,539½	553
Total	4,924	4,819	7,645	2,565

Retail (according to the Board of Trade).				
Food only	—	225	270	100

SECURITY PRICES.

BRIT & COLONIAL GOVT.	Oct. 13. 1921.	Oct. 6. 1921.	Oct. 13. 1920.
Consols	49	48⅞	45½
War Loan 3½%	88¾	88	81¼
Do. 4½%	82	81¾	78
Do. 5%	89⅞	89¼	84¾
Do. 4%	96½	96	94¼
Funding 4%	72½	71⅛xd	67¾
Victory 4%	77½	72⅞	73¾
Local Loans 3%	53	52¾	50
Conversion 3½%	62⅜	62¼	—
Irish Land 2¾%	49	48¼	46
Bank of England	184	182½xd	167½
India 3½%	57¾	57¾xd	45¼
Liverpool 6%	101½	101½	99
Birmingham 6%	102½	103	98
FOREIGN STOCKS.			
Argentine 5%	94	94	90
Belgian 3%	62¼	62	55
Brazil 5%	59	73xd	71
Chilian 4½%	80	80	72
Chinese 5% '96	84¾	84xd	70
Egyptian 4%	67½	63¾	64½
French 4%	30½	30¾	38
German 3%	3⅛	3⅞	6
Greek 4%	30	33½	42½
Italian 3½%	22	23	27½
Japanese 4½% (1st)	110	112	106¼
,, 4% (1905)	89½	91½	82½
Mexican 1899	68	67½	59
Peruvian Corp. Pref.	16	16½	27½
Russian 5%	7	7	23
Spanish 4%	71½	71½xd	85½
HOME RAILS.			
Gt. Central Pref.	18¼	8½	11
Gt. Eastern	26¼	26⅞	31½
Gt. Northern Def.	24	24½	28¼
Gt. Western	65	66	76
Lancs and Yorks	45½	47	53½
Lond. Brighton Def.	36½	37	44½
Lond. Chatham	5¼	5⅛	7⅛
L. & N.W.	66¼	67½	76
L. & S.W. Def.	18	18	20¾
Metropolitan	24	24½	21½
Do. District	16½	16½	19½
Midland Def.	40	41	49¼
North Brit. Def.	10	10	11½
North Eastern	69¼	70	78
South Eastern Def.	20½	21	28
Underground Electric	5/9	5/9	7/3
FOREIGN & COLONIAL RLYS.			
Antofagasta	40	43	65½
Argentine N.E.	14	14	23½
B.A. GT. SOUTHERN	51½	52	71
Do. Pacific	35	36	54
Do. Western	51	52	71½
Canadian Pacific	146	149	179
Central Argentine	49	50	61¾
,, Uruguay	37	38	61
Cordoba Central	11	12	17
Entre Rios	14	14	30
Grand Trunk	1 9/16	1⅞	4¾
Do. 3rd Pref.	4½	5	12
Gt. Western Brazil	1¾	1¾	3½
Leopoldina	17½	18	32½
Mexican	14	14½	18
,, 1st Pref.	36½	39	45
San Paulo	97	102½	137½
United of Havana	48	49½	78½
INDUSTRIALS, ETC.			
Armstrong	16/6	17/0xd	22/0
Associated Portland Cement	14/10½	15/0	25/9
B.S.A.	7/3	7/6	20/6
Borax Def.	30/6	30/0	33/9
Brit.-Amer. Tobacco	6 1/16	3 1/16	3½
Brunner Mond	22/3	22/6	31/6
Coats	33/3	2 5/16	2½
Courtauld	15/9	32/9	7
Dorman Long	—	16/6	24/0
Dunlop	7/3	6/9	28/6
General Electric	17/0	16/0	27/0
Hudsons Bay	5 5/16	5½	6½
Imp. Tobacco	49/0	49/0	50/3
Lister	15/4½	16/0	25/0
Lyons	2 11/16	2¾	4½
Marconi	1 11/16	1 19/32	2¾
Maypole Def.	7/1½	7/3xd	11/0
Nobel Industries	7/9	6/6	—
United Alkali	9/16	⅝	1⅛
SHIPPING.			
Cunard	17/6	18/0	32/6
Furness Withy	24/0xd	24/3	29/0
P. & O. Def.	345	350	395
Royal Mail	83	85	105
BREWERIES.			
Allsopps	49½	53½	76½
Bass	27/6	—	1 3/16
Guinness	380	390	310
Watney Def.	131½	132¼	155
RUBBER.			
Anglo-Malay	20/0	20/0	33/9
Cicely	4/0	4/3	9/6
Linggi	1 3/16	23/0	47/0
Rubber Trust	12/3	11/6	24/0
Sialang	13/16	18/9	43/9
Vallambrosa	11/3	11/6	17/9
OIL.			
Anglo-Persian 2nd Pref.	21/9	22/0	—
Apex	1¾	1 11/16	1 11/16
Burmah	5 3/16	4 13/16	8¼
Kern River	19/7½	19/3	30/0
Lobitos	5 13/16	¼	4⅜
Mexican Eagle	3⅝	3½	11 3/16
North Caucasian	11/16	11/16	1¼
Royal Dutch	35	35¼	65½
Shell	4 3/16	4 3/16	7⅛
MINES (SOUTH AFRICAN)			
Brakpan	2⅜	2¾	2⅞
Brit. Sth. Africa Co.	11/0	11/0	15/7½
Central Mining	6½	6¾	8 1/16
Consd. Mines Selection	13/9	15/0	21/0
Crown Mines	1 13/16	2	2½
De Beers Def.	11 5/16	11	17
Modderfontein	3¼	3¾	3 11/16
,, B.	1 5/16	15/16	1 5/16
,, Deep	2¼	2¼	2¼
Premier Def.	5¾	5¾	9¾
Rand Mines	2¼	2 5/16	2 13/16
Springs	2 1/16	2⅛	1 13/16
Tanganyika	20/0	20/3	1 11/16
Van Ryn Deep	3 5/16	3¾	3 13/16

Company Meeting

LEACH'S ARGENTINE ESTATES

The Ninth Ordinary General Meeting of Leach's Argentine Estates, Ltd., was held on the 7th inst. at Winchester House, E.C.

Baron F. A. d'Erlanger (Vice-Chairman), who presided, said he was sorry to say that the profit and loss account did not compare favourably with that of last year, as the profit on trading, after providing for taxation and taking into account excess profits duty, recovered for the year ended 31st March, 1920, but not including the claim for repayment of excess profits duty in respect of the year ended 31st March, 1921, amounted to £171,581, against £258,792 for the previous year. The balance carried to the balance-sheet was £61,727, against £121,958 last year. This result was due to various causes, which he would endeavour briefly to explain. At the last meeting he referred to two important points—namely, the occurrence in the middle of July of very severe frosts, and the efforts of the Argentine Government to pass a law for the expropriation of 200,000 tons of sugar, at the same time prohibiting exportation. The effects of the frosts had a most disastrous result, as the crop, which was originally calculated to produce about 20,000 tons, ultimately produced only 13,132 tons of sugar.

With regard to the Expropriation Bill, this had been thrown out by the Senate, but the threat that special sessions would be held to discuss the Bill again hung over the market for several months, unsettling the minds of commercial people and interfering with the freedom of sales. After the turn of the year the market took a firmer trend and prices gradually improved, without, however, giving cause for either the consumer or the Government to complain. Prior to the crop under review the Government had authorised the exportation of 100,000 tons in order to relieve the market of its surplus. A large quantity had been bought at very high prices and exported to the United States, where, however, delivery was not accepted in many cases, and considerable shipments were reimported into Argentina, which resulted in further confusing the market. In a word, the company had produced far less sugar than they had expected. The cost of production had been considerably higher, and the average price obtained for their output was below what it would have been had the market been allowed to follow its natural course.

As a result of the frost last year a large number of lines of cane had to be thrown away, and to replace these a special effort had been made during the current crop, and according to the latest news they had planted about 60,000 lines of new cane. To provide the plant necessary for this a considerable amount of cane was cut in May and June and covered up to protect it from frost should a similar experience to that of last year befell them. It was fortunate that this step was taken, for, though it had deprived them of a certain amount of the raw material for the current season, they were assured of the area of land under cultivation for next year being at least maintained, if not increased. They were planting considerable quantities of Java cane, which was hardier than the criolla, and had proved a success in the Tucuman districts, where frosts were of much more frequent occurrence than in their own district of Jujuy. According to the Chairman's reports and the information brought back by their secretary (Mr. Yaxley), who had recently returned from Argentina, the whole of the new plant authorised by the directors was, in spite of many difficulties, placed in position before the commencement of the current crop.

As to the current crop, according to the latest advices the total production of sugar in the Argentine was calculated at 183,000 tons, of which 11,450 tons corresponded to the company's factory. He regretted to have again to report serious frosts in the early part of the cropping season, but by the date the frost occurred they had manufactured 2,000 tons more sugar than at the corresponding date in the previous year.

The report was unanimously adopted.

Company Meeting

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

The Twelfth Ordinary General Meeting of the Rubber Plantations Investment Trust, Limited, was held on the 10th inst., at the Cannon Street Hotel, Cannon Street.

Mr. H. J. Welch (chairman of the company) presided.

The Chairman said:—Ladies and gentlemen, the issued capital of the company was increased during the year to £1,996,719; the reserve remained at £500,000; our current liabilities have been reduced by nearly £250,000; and the balance carried forward to the credit of profit and loss account amounts to £94,320.

Sales of investments during the year realised £96,107, and showed a surplus over cost of £21,158, which has been taken to realisation reserve account. Investments in shares, debentures, and options, less realisation reserve account, stood at £733,135, and on the basis of a valuation as at March 31 last, made by the company's brokers, Messrs. Laurence, Sons, and Gardner—or by the directors in the case of unquoted securities—they show a deficit in value of £69,642, as compared with a surplus of £710,691 a year ago. The position taken out on the 7th inst. shows a deficit of £207,705, being an increase in the deficit of £138,063 since March 31. This difference in value as compared with a year ago does not, of course, represent a realised loss. The deficit would probably quickly disappear with any substantial revival of markets. Including working capital, the expenditure upon the purchase and development of properties now stands at £1,833,771, being an increase of £118,135. This increase is represented for the most part by upkeep of immature tea areas in Sumatra and expenditure on new tea clearings. With regard to the loans, £158,258, we were unable to say this year as previously that they are considered well secured, because we feel that as to a percentage of less than one half of them recovery has now been rendered less certain by the general depression.

There was a net loss on the year's working of £12,150, which leaves a net credit to profit and loss account of £94,320, which the directors recommend should be carried forward. In the balance-sheet this is stated to be subject to Netherland East Indies taxation, but it is believed any amount payable in this respect is fully covered by taxation reserves already existing independently of the amount carried forward. I am glad to tell you that since the issue of the report and accounts we have learned that the rice loss for 1920 has been reduced to the extent of approximatly £15,500 by rebates recovered, we understand, from the Government. Had we been able to pay this sum into account in the year under review it would have converted the loss into a small profit. Interest paid by the Trust amounted to £6,252, against £27,256 last year. This is indicative of the Trust's improved cash position. Dividends, interest, &c., received totalled £49,632, as against £58,383 last year.

I will now refer to properties owned exclusively by the Trust. The tea and rubber on our South Indian property show net losses amounting to a sum of £7,796, due to the heavy loss on Indian exchange, the high cost of freight and materials, and the low prices ruling for both products last year. Our remittances to India showed a loss of a little less than 8d. per rupee, or £9,526 in all.

From our Sumatra properties during 1920 we harvested nearly 7½ million pounds of tea, which was an increase of about 1,400,000lb. over the previous year. It was realised at a net loss of £2,751. The total loss on rice alone written off against tea revenue amounted to £118,863, and but for this and the loss on exchange, amounting to £49,120, our tea would have shown us a handsome profit. Fortunately the company was able to make satisfactory forward contracts last year through our agents, Messrs. Harrisons and Crosfield, Limited, for the sale of its teas at prices which proved to be well above the prices ruling at times of delivery.

The planted area of our Sumatra rubber properties remains unaltered at 3,013 acres. The restricted crop harvested during 1920 was 1,131,407lb., and realised a net profit of £10,636, after providing for a loss on rice of £21,790 and upon exchange of £8,125. The present estimate of restricted production for the current year is 695,000lb.

To conclude, it is obvious that in considering the record, the present position, or the prospects of the Trust, we cannot ignore its relation to and dependence upon the great industries in which it is directly interested, and also upon the fundamental and world-wide movements of trade and finance. Irrespective of efficiency of management, all our efforts, plans, and forecasts may be affected, disastrously or beneficially, by what may be called the underlying tidal movements of these larger interests. But the tide must turn. Its progress toward a full tide of prosperity may be long and slow. But as we have suffered in the common adversity, so I think we may reasonably hope to benefit from the general prosperity of the incoming tide.

No questions were asked by the shareholders, and the resolution was carried unanimously.

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The Outlook

An anxious and unpleasant week has been passed by the City, with the precipitate fall in the value of the mark as the dominating influence. After going up to 750 to the pound, marks came back to 607. The effect of this tumble, both in the financial and industrial outlook, has taught once more the lesson that has so often been put before the present rulers of mankind's destinies, and so persistently ignored by them, that we cannot win back anything like general prosperity until we can get real peace and a restoration of Central Europe to its old position as producer and consumer. That the headlong fall in the mark should cause something like panic in Amsterdam, necessarily a big holder of German currency, was natural and inevitable; and that it should have a bad effect here, owing to heavy sales, made or attempted, by Dutch holders of leading oil shares and other securities, and should communicate queasiness to Paris and other Continental Bourses, was also to be expected. But a sharp decline in the value of the rupee, attributed to the weakness of the mark, was an item that struck the most unimaginative as an example of international interdependence. And yet there was plenty of logic in it. India has been selling its hides and jute to Germany, and a fall in German currency that puts her for the time being off the list of possible customers, checks India's exports, and consequently her buying power, and so reacts on Lancashire's export trade, at the very time when reports from Manchester were indicating that the stocks of cotton goods were being worked off in the East, and that contracts which had long been in abeyance were being adjusted on a basis of division of losses.

A Sensitive Position

Thus exposed to political shocks, such as may be sprung upon it owing to clumsy compromises attempted by a League of Nations Court, or by the hysterical nervous condition of politicians in all countries, the financial position is inevitably extremely sensitive, and this sensitiveness underlines the wisdom of operators who have lately shown such a cautious preference for safe and short-dated securities. In spite of official efforts to whip up a spirit of optimism by talking of symptoms of trade revival the public has steadily refused to be diverted from its preference for the solid rather than the reputed brilliant. That the trade position is better than it was during the coal strike is certainly true, and it is equally true that if it were not so, we should be heading straight for Queer Street. It is also probably true that in certain lines trade depression is not as acute as the pessimists tell us. But we cannot have real trade revival until this country has put its cost of production on a basis that will enable it to compete with foreign rivals. Everything that the Government has lately done under the inspiration of its preposterous fiscal policy makes this necessity more difficult to achieve, while its continued wastefulness has kept back the possibility of revival owing to the heavy burden that it lays on industry, and its new proposals for trying to galvanize industry by means of loans and guarantees and credit schemes do not touch the real question of finding solvent customers for British industry and enabling it to supply them with goods at a price that they can pay. To get trade and finance on their legs again we have to kill and bury the war spirit in foreign policies, Government extravagance, and Government interference with industrial and financial matters that Governments never can handle well, because they cannot help handling them with one ear on the ground, one eye on the gallery and both hands stretched out to catch votes. And there does not seem to be much hope that any of these obvious conditions of revival can be secured just at present.

The Government Accounts

A small balance of revenue over expenditure during the past week was shown by the latest official return, but owing to a large excess—$11\frac{1}{2}$ millions—of maturities of Treasury bills over sales, the Treasury had to borrow $9\frac{1}{2}$ millions from the Bank of England on Ways and Means advances. The revenue returns continue to show astonishingly satisfactory collections of income tax, which, as our table on a later page sets forth, is many millions ahead of its total a year ago. Customs and Excise also show surprisingly steady yields for the year to date, when we remember that this financial year has been one of unbroken trade depression accentuated by the miseries of the coal strike. Another favourable feature is the continued sale of new Treasury bonds in spite of the fact that the first series can be bought in the market at a lower price than that at which the second is on offer. But the E.P.D. and the "special" receipts still lag lamentably and the outlook for a balance on the right side at the end of the year is by no means improved by the backsliding of our rulers to wanton courses and their attempts to cure unemployment by extravagance.

Demoralized Exchanges

As already indicated the weakness of the mark was the dominant influence in a most depressing atmosphere. It will be remembered that the Germans always made it clear in discussing the indemnity question that their ability to pay depended on the decision concerning Silesia—a truism that ought indeed to have been obvious even to the titanic statesmen of to-day. It followed that the Silesian decision, announced last week, made all holders of German currency, at home and abroad, expect further depreciation and rush to turn it into goods or securities or other currencies or anything into which they could convert it. As speculative holders of German marks are extremely numerous and buyers, under present circumstances, are very difficult to find, the fall that took place in the early part of the week is easy enough to account for apart from any action by

With the SATURDAY REVIEW of next week will be issued a Banking Supplement.

the German Government itself. It, however, is credited by many people with having helped the decline by offering marks in order to demonstrate the impossibility of continuing to make indemnity payments at the pace demanded. There may be something in these suspicions, though on the other hand one may doubt whether the German Government would have deliberately added to its own difficulties by such a course. Heavy sales in our markets on Dutch account put the Amsterdam exchange against London, but other Continental currencies generally depreciated. New York went strongly in our favour for some days and this movement again puzzled the pundits who have been expecting and still expect, a fall in sterling. New York, however, seems to have been buying securities here and in Europe on a very large scale for some months—chiefly South American bonds.

Money and Stocks

Extreme ease has again ruled in the money market, thanks to the new credit created by the Bank of England for the meeting of maturing Treasury bills, and the discount market has had an easy tendency, with commercial bills still distressingly scarce owing to the slackness of trade. The Bank return was bad, with both sides of the account puffed out by over 20 millions of newly created credit. On the Stock Exchange the strength of the gilt-edged market was less pronounced especially with regard to new issues recently placed, but short-dated varieties were in keen demand at fancy prices which might have tempted holders to sell if they could have seen anything attractive as a receptacle for the proceeds. Speculative markets suffered from the blizzard of Continental sales and also from domestic troubles arising, more or less, out of the official declaration of peace not long ago and arrangements for settling the pre-war account. These troubles attracted more attention owing to the high standing and reputation of the firm chiefly involved and the very general sympathy felt with its misfortunes. A partial recovery in the mark and the knowledge that these domestic difficulties had been arranged, caused a recovery in speculative markets, but the lack of a bear account is sorely felt in these bad times, which only show once more how beneficent were the efforts of those who in old days sold securities that they had not got and so provided a cushion for their prices when they bought them back again. Then the pessimist was some practical use. Now he can only diffuse bad temper.

Troubles of the Oil Market

A correspondent writes :—The debacle of the German mark, with the Dutch and other currencies of our European neighbours see-sawing at ever declining low levels, is mainly responsible for sensational conditions in the oil market these days. Those investors here, whose keenest interest is focussed on Mexican Eagle fortunes, must recognise that apart from what may be described as the Company's physical troubles, viz., curtailment of production and shipments owing to the unexpectedly rapid salt water invasion of Amatlan, its chief source of production,—causes quite extraneous must be looked to for an explanation of recent happenings in the share market. Instability on the Continent, caused heavy selling on the part of Amsterdam and Paris, Eagles going from 3 11/16 to 2 15/16, then back to 3 3/16. Up to Tuesday of the current week Amsterdam was also a consistent seller of Royal Dutch, the price falling from 35½ to 30¾ then recovering to 33, but then with New York turned buyer. The market took a favourable view of the Kern River report; Trinidad issues steadied again and Burmahs and Shell held out well. In the week under review Tankers kept steady at 5/-. If the proposed merger of this company with its parent the Scottish American Oil and Transport Co., Ltd., goes through (to find a better alternative is the quandary), it is a moot question whether Tankers will improve on the showing of Scottish which, on the publication of the official circular this week, were put down from 2/6 to 2/3. The proposals are for the subsidiary company to acquire the assets of the Scottish American, the latter's capital in effect to be written down to the extent of 75%. Under the new scheme the Anglo-Persian Oil Co., would act as Manager (at a reduced remuneration) of the oil interests of Tankers, the contract being determinable on either side at short notice. The dividend on the Preference shares due October 1st, the directors of Tankers regret the necessity of suspending, but careful consideration will be given to this question when the final results of the year's working are known. There is an advance report *via* New York that the September Mexican Eagle shipments totalled 1½ million barrels, as compared with 1,853,505 barrels in the previous month, and 2,248,387 barrels shipped during the same month last year. This double decrease while appreciable is not so great as recent rumours disposed one to anticipate. The Amatlan field is surrendering to salt water much more rapidly than was—or could be—foreseen, yet the last week has no news of its advance quite so dramatic as the two weeks immediately preceding. Curiously enough Amatlan gave a jolt to the watchers around its bier by again beginning to yield " 6,000 barrels of good oil daily," from a well (on Lot 190) for some time " shut down on account of salt water trouble." Mexico's total shipments for September—well over 17½ million barrels—swung back to the normal monthly record, and October is expected to go one better still.

The Future of Argentine Rails

The reports of Argentine railways issued this week show serious declines in net receipts and in two cases the reduced dividends upon the Ordinary stocks have been paid only by drawing upon reserves, while the B.A. and Pacific has passed both the Ordinary and Second Preference dividends. The decline is due to two causes, a severe fall in gross receipts (the Central Argentine is an exception) and a heavy percentage rise in working costs. The first adverse factor is clearly an outcome of the world's disturbed economic and financial condition, the weakness of European demand having resulted in reduced transport of grain, wool, hides and skins, etc. An appreciable recovery in gross receipts is dependent upon the general progress towards stability and this is not likely to be rapid. Meanwhile, with the probability of no great offset from increased gross receipts the Companies are menaced by a persistent growth of working costs. A typical example is the B.A. Great Southern. In 1913-14 the expenses per train mile were 6/7, from which figure they have risen steadily in each year, until for 1920-21 they had reached 15/6½ per train mile. The receipts per train mile have increased from 11/3 to 18/5¼, but, allowing for this the profit per train mile has fallen in the period from 4/8 to 2/10¾. It is true that there is a slight decrease in the number of train miles run and an increase of traffic might result in a natural economy, but this influence is hardly one to operate at present. There should be a considerable saving through the lower price of fuel and materials for renewal purposes, but the conclusion is that without increased freight rates the lower rate of dividends must continue for an indefinite time ahead. New tariffs were authorized in August last by the Argentine National Railway Board, but the Minister of Public Works, thinking probably of the many trials of the business community, has published a resolution to the effect that " the increased tariffs have not received the sanction of the Executive Power." It is clear that as in the case of India and Canada—only more so—the Boards of Argentine Railways have to face a difficult problem owing to representing distant, and in their case, alien shareholders.

Disappointing " Safeguards "

Committees of the London Chamber of Commerce appointed to watch the interests of fancy goods and of

china and glass are unhappy. They complain plaintively that the loosely-worded schedules of Key Industries as laid down by Parliament are being interpreted by the administrating bureaucrats to cover 6,800 articles of which more than 2,000 are not made in this country at all. Synthetic camphor, essential for celluloid manufacture, is subject to duty though celluloid goods in competition with our own come in free. Arc lamp carbons are held to include the scraps of carbon used in batteries for electric torches. The scheduling of lamp blown glass involves the elevation of the eyes of little girls' dolls into key products upon which the safety of the United Kingdom in war is held to depend. And so for many other goods, some trivial others important, some merely arousing us to laughter—a valuable function in these days—others causing genuine exasperation. The fine flower of Protection, by schedule and the Board of Trade's logically humorous lists, is revealing its thorns. The disappointed Committees now want an Amending Act, withdrawing from the schedules and lists all goods not made in this country. Presently, maybe, they will discover that the best way to "safeguard" our industries would be to leave them alone by repealing the Act altogether. For we have as yet done no more than experiment with "key" industries, the first part. When our bureaucrats get to work on Dumping and collapsed Exchanges—they have no option except to administer the Act as it is printed—the full horrors of official interference with trade will be revealed.

A Lamp-blown Argument

The argument for including the eyes of dolls and Christmas-tree decorations among essential key industries, as set forth by the lamp-blown glass trade, deserves a note to itself. This it how it runs. How can a workman learn to make artificial human eyes unless he practises on doll's eyes? And if lamp-blown glass plants did nothing but make scientific glass bulbs and artificial human eyes—for which the demand is small—there would not be enough work to employ them. Therefore in order that these plants may be kept in being for that war of the future upon which the fate of the Empire will depend, they must be provided with plenty of jobs upon dolls' eyes and Christmas-tree decorations to fill up the gaps in the serious work. It is an argument capable of infinite extension; a whole tariff would be built upon it. See how it develops. Magnetos are scheduled as key industries; electricians make magnetos; motor cars are going over to dynamo and battery ignition in the place of magnetos; electricians make dynamos and batteries. Therefore, in order that the Empire may in the next war have magnetos—by that time probably obsolete—dynamos and batteries should also be scheduled as key industries in order that the electricians, insufficiently employed on magneto making, may have other jobs provided to keep their hand in. We may laugh but really there is some occasion for alarm. The slope towards a fully Protectionist system is steep and slippery and our national boots are already beginning to lose foothold upon it.

BACK TO WONDERLAND

"I WOULD have little enthusiasm for any proposed relief which seeks either palliation or tonic from the public treasury. The excess of stimulation from that source is to be reckoned a cause of trouble rather than a source of cure. We should achieve but little in a remedial way if we continued to excite a contributing cause." So said President Harding in his opening address to the unemployment conference lately held at Washington. He was fortunate in being able to put such an ideal before the people of America, where it is apparently proposed to deal with the problem of maintaining those who want to work and cannot find it out of funds provided by the States, the municipalities and private charity. Here the municipalities are at the end of their resources, private charity has been taxed and abused to a point that has seriously checked its flow, and it is clear that the problem, as stated above, has to be dealt with at the expense of the public purse, already very nearly drained dry by extravagance and bad finance. Everyone agrees that men who want to work and cannot find work cannot be allowed to starve and that maintenance for them and their dependents must be found: but it is at least equally clear that any measures taken to this end will be worse than useless if they tend to keep up the high cost of production in this country, which is the only real cause of unemployment for which we are responsible. The others—international unsettlement, exchange fluctuations and so forth—can only be solved with the help of foreign nations. This then is the test by which the measures proposed by Mr. Lloyd George in his speech on Wednesday have to be judged. Will they help to prolong a state of affairs under which British trade cannot compete because it cannot deliver the goods at a price that its foreign customers can pay?

It need not be said that Mr. Lloyd George was shrewd enough to see that this is the core of the problem and adroit enough to make frequent references in his speech to the necessity of true trade revival, won by putting our trade back on to a sound competitive basis. But just as he was most eloquent on the necessity for free international exchange of commodities when he was proposing the German Reparation (Recovery) Act and the Safeguarding of Industry measure, so the proposals that he now makes are directly contrary to the principles that he enunciates. The futility of credits backed by the State has already been demonstrated by the failure of the official schemes that have long been inoperatively in operation. It is now proposed to widen this field of failure by extending it to the British Empire and other countries. If it succeeds it merely helps someone, by a State-provided stimulus, to buy goods at prices that he could not otherwise afford and so helps to maintain prices. It is the same thing in the case of the loans to Dominions and foreign Governments, public authorities or other bodies that are to be granted by the State up to £25,000,000 if the borrowers will buy British goods or use the money for capital purposes, so that the borrowers may get the loans at a cheaper rate. If this scheme is more effective than the Export Credits effort, which is doubtful, it will enable borrowers to pay artificial prices for our goods and so maintain our cost of production, at the expense of risks to be taken by the taxpayer, an increase of Government securities and a consequent further obstacle to funding operations. We are back in Wonderland again and Mr. Lloyd George is once more convinced that if the State will only spend enough or induce other people to spend by giving guarantees, the unemployment problem will be helped. Since such is now the prevalent spirit, there is some comfort in the thought that these schemes are less imposing in scale than we had been led to expect by forecasts of the proposals said to be engaging the attention of the Prime Minister and the spendthrifts who have his ear in his most irresponsible moods. The political correspondent of the *Morning Post* says that the House of Commons inferred that the Treasury had "laid an icy hand on the enthusiasm of some other Government departments"—we can only wish more power to the Treasury's elbow and more ice to its finger-tips.

While the Prime Minister was thus proposing to lead us to a guaranteed Promised Land on credit, Lord Weir was making a more practical contribution to the problem of unemployment at a British Engineers' Association luncheon. He regretted that cost of production had been first attacked through wage reductions instead of through the unjustifiable working conditions due to Trade Union pressure. This point was emphasized in the House of Commons debate by Sir Arthur Steel Maitland and also by that frank and honest Labour member, Mr. G. N. Barnes, who pointed out that the predictions made before the war, that an eight hour day would not lead to lessened production, had not been

fulfilled, and maintained that "at least twice as much work could be done without hurting anybody and with advantage to the health of the average worker."

UNEMPLOYMENT AND FOREIGN INVESTMENT

"STOP Foreign Investments" was the title of an article in a recent issue of the *New Statesman,* usually well advised on financial affairs. It considers that the proposals of the Cabinet for dealing with unemployment are quite inadequate, that there is plenty of productive work waiting to be done at home and that the best way to cause it to be done is to prevent capital from going abroad. "Does anyone suppose" it asks, "that, despite the depression, there are not in this country to-day huge sums seeking and finding openings for investment? During last month alone the new capital issues subscribed amounted to a sum not far short of the £16,000,000, with which the Treasury is seeking to frighten the public, and during the present year the average monthly amount of new capital issues has been well in excess of that sum. But while huge sums have been and are still seeking and finding fields for investment, the greater part of them is being devoted to enterprises which do not result in increased employment for British workers. Capital, after the temporary suspensions of its overseas activities during the war, is again "leaving the country" and finding its most profitable fields for investment in those countries in which depreciated exchanges allow of purchases at bargain prices. British capital is buying up the impoverished areas of Europe, and this foreign investment, instead of stimulating a demand for British exports of machinery and other capital goods, is devoting itself to bargain purchases of German or Polish or Czecho-Slovak products." The £16,000,000 referred to by our contemporary is the sum which the Treasury is alleged to have announced as the cost of employing a million men a month; if, therefore, we are investing this sum abroad all we have to do is to stop the process and divert the ever flowing stream of investment into the channels which will help to turn the wheels of industry at home. "No investor," it adds, "has the right to seek profitable fields abroad if by so doing he helps to make the unemployment problem more hopeless of solution." But it is really true that investors by seeking profitable fields abroad "help to make the unemployment problem more hopeless of solution"?

We venture to think that the *New Statesman's* whole contention is based on misapprehension of the real facts, and that this misapprehension and the doctrine that it bases upon it are highly dangerous in view of the influence that it is believed to exercise upon the minds of those who claim to lead the manual workers. That the *Statesman* is wrong about the effects of investment seems all the more likely when we consider how entirely false is the picture that it gives, as quoted above, concerning what has been happening to British capital during the past month. Anyone reading the paragraph quoted would suppose that the greater part of the £16,000,000 said to have been subscribed during September went into issues offered on behalf of Germany, Poland, Czecho-Slovakia or some other impoverished area of Europe. In fact, not a single public issue was made here for any other of these countries or for any railway or commercial or industrial concern working in them. Any capital that went to them went privately, and so could only be controlled or stopped by a revival of the consorship over letters and telegrams and all the other bureaucratic inquisitions so dear to our Collectionist friends. When we find the *Statesman* so completely misinformed as to what has been happening in the City we feel ourselves emboldened, in spite of the high reputation as theoretical economists of some of the distinguished gentlemen whose work adorns its pages, to maintain that it is equally wrong in its belief that exports of capital make the unemployment problem more difficult, and that in fact the truth is just the exact opposite of this belief. We are encouraged in this audacious view by its observing in the course of the same article that "there is everything to be said for the widest possible extension of export credits." For surely the practical effect of export credits is exactly the same as that of foreign investments. In each case a certain amount of English money is placed at the disposal of a foreign borrower. If the effect of one is to make the unemployment problem more hopeless it would seem to be so with both. It is true that in the case of an export credit the advance is made definitely in connection with the actual export of a certain amount of British-made goods, or, in the case of raw materials, of goods which may have been produced elsewhere but are now actually held in England or by English owners; whereas in the case of an ordinary investment abroad the English money is so placed at the disposal of a foreign borrower may be used to meet interest due to other Englishmen or to make purchases in other foreign countries. But in either of these cases the demand for English goods is surely stimulated by the investment. If it is used to meet interest due then so much of the borrowing country's production, which would have come here to meet it, is consumed at home or goes elsewhere, and so to that extent we have to rely on our own production for the goods that we should otherwise have received in payment of interest. If the foreign borrower uses English money for the purchase of goods in other countries he hands on to his seller his claim on England in payment, and that claim has to be met finally in some form of goods or services. In fact it is surely a commonplace that when we make foreign investments and export capital we can only do so by providing other countries with goods and services which we export in exchange for their promises to pay. So that the export of capital, far from making the unemployment problem more hopeless, assists its solution in a far more satisfactory and permanent manner than by the schemes of public works at home to which the *Statesman* proposes to divert it from the "bargain purchases of German or Poland or Czecho-Slovak products" which it believes to be proceeding; for it stimulates the demand abroad for British goods and services, and thereby it not only stimulates employment at home but by helping to put impoverished foreign borrowers on their legs, by restoring their productive power, with the help of British materials and machinery, enables them to take their old place in the scheme of consumption and production, and so does something to bring back those conditions of pre-war, national and international, prosperity to which an impoverished world now looks back with regret.

For this contention we have the support of the Prime Minister, who in his recent speech at Inverness laid stress on the need for public and individual saving and for investment abroad in order to promote the sale of our goods, as we used thereby to do before the war. Mr. Lloyd George's authority on questions of finance is not, we admit, as high as it is on some other things; but he made this speech when he was fresh from being coached by some highly competent financial experts, and he was only echoing what used to be regarded as an axiom on our foreign financial policy. If the *Statesman's* new theory is to be adopted by the Labour Party, the outlook for our trade is not too cheerful, with the present Government hampering it with import duties, and what is usually assumed to be the only possible alternative, proposing to hamper it by restricting foreign investment.

BORROWERS AND BRITISH INDUSTRY

THAT borrowers who raise money in London should be induced or compelled to spend it, or the greater part of it, in the United Kingdom is a contention that has often been put forward. If there ever was a case for it, there is one in these days of

depression and it is not surprising to find that the Federation of British Industries has been making an appeal to the South African Government, which has lately raised a large loan here, to place orders with British firms, not on sentimental grounds, but because they—the F.B.I.—"feel that at the present time when money is scarce and unemployment rife, Dominions borrowing capital in Great Britain should give priority to British tenders, always providing that these tenders are competitive as regards price and bearing in mind the high quality of British material." It seems a reasonable request, but we doubt whether it is good policy for the country as a whole and in the long run, though much depends on what British manufacturers mean by "competitive as regards price." If they mean that when the British and foreign price are the same, the British tender should have the preference, there is little or no objection to the stipulation; but if they meant this they would surely have said so, and apparently what they ask is that, because the Cape Government has borrowed here it should make British industry a present at the expense of the South African taxpayer.

There are plenty of reasons for taking all the presents we can get in these days, but let us consider the effect of asking for this particular gift. If granted it would clearly be bad for London as an issuing centre. In old days when Paris and London were brisk competitors as providers of capital to foreign borrowers, many an issue was secured by London because Paris did, and London did not, attach stipulations of this kind when lending money. Paris is not, at present, as keen a competitor as she was, but New York is evidently touting energetically for business especially among the Governments of our Dominions, as is shown by the recent Queensland loan in America, and by subsequent statements made by Dominion Premiers to the effect that they do not mean to desert the British moneylender in spite of pressure from American loanmongers. From the financial point of view there is thus good reason to urge that London's old time freedom in this respect, which often brought it business which it would otherwise have missed, should not now be impaired either by any attempt at official regulation, such as was practised in Paris, or by *ad misericordiam* appeals to borrowers.

It may, however, be urged by the F.B.I. that London as a financial centre can very well take care of itself, but that British industry, sore beset by foreign exchanges and other difficulties, needs all the help that it can get, especially as it is really much more important to the country than financial prestige or supremacy; and that if the country's producers do not turn out the goods and sell them, the financial jugglers in the City will very soon find that without industry behind them they juggle in vain. All this is true, but is it really to the benefit of British industry that it should be spoonfed as it suggests? Of course, everybody likes being spoonfed, but it is really better for all of us to have to feed ourselves by our own exertions. And at this moment it is above all essential to the future existence of our industry that it should bring down the cost of production to a point at which it can compete abroad. If it cannot do that it will surely die. But it does not help to bring down cost of production if our industry can secure contracts, which would otherwise have gone elsewhere, on the ground that the British investor is finding the money. Such artificial props only tend to prolong the present unhealthy conditions.

And is not the whole affair more or less a mare's nest? As we have tried to show above, we cannot invest abroad without stimulating a demand for British goods and services. Even the Allied Governments—dense as is their economic obtuseness and obstinacy—are beginning to find out that an international promise to pay means an export of goods by the promiser, if it is to be met; and a loan is just as much a promise to pay as an indemnity. When we lend six millions to South Africa we give her a claim to six million pounds worth of goods; if she exercises that claim in the form of grain elevators bought in some other country she hands the claim on to the seller of the elevators, and it can only be liquidated ultimately by an export, of some kind, from this country.

New Issues

Subscriptions were invited, at 97 for £3,000,000 Nigeria Government 6% Inscribed Stock, 1936-1946, the money being wanted for the construction of railway, harbour, and other public works in the Colony. The loan is secured on the General Revenues and Assets of the Government of Nigeria and the principal will be payable at par in October, 1946, or, at the option of the borrower, in or after October, 1936. A statistical statement appended to the prospectus shows the revenue, expenditure and trade of the Colony and Protectorate from 1909 to 1920. Since and including 1917 revenue has shown a substantial balance over expenditure though the latter included capital spent on the Eastern Railway. The stock is a trustee investment.

Odhams Press, Limited, newspaper and periodical proprietors, printers, publishers, advertising agents, billposters, process engravers, book publishers, etc., announce an issue of 225,000 Ten per cent. Cumulative "A" Preference Shares ranking immediately after the 8 per cent. Preference Shares and in priority to all Ordinary Shares both as to capital and dividend and will entitle the holder to a Cumulative Dividend of 10 per cent. per annum. There is no debenture debt, the prospectus is fairly clear, and the figures given show considerable progress and prosperity in the past. The outlook in the printing and publishing trade is not too rosy, but the shares may be a reasonable industrial risk though they appear to have no voting rights or any say in the matter of possible debenture issues in future.

Indicators, Limited, with a share capital of £35,000, only £1,500 of which is in ordinary shares, offers 15,227 7% Cumulative Participating Preference shares of £1. It has acquired certain patents and gives estimates of profits and generally has to prove itself.

Rubber Shareholders' Association.—A public meeeting, open to all interested in the rubber planting industry, will be held under the auspices of the Rubber Shareholders' Association, Ltd., at the Great Hall, Cannon Street Hotel, E.C., on Wednesday, October 26th, at 12 o'clock noon, when the policy and programme of the Association will be fully explained, and questions and discussion will be invited.

Reviews

WAR AND ECONOMICS

Political Economy of War. By A. C. Pigou, Professor of Political Economy in the University of Cambridge. Macmillan: 8s. 6d. net.

PROFESSOR PIGOU, well known as a very learned writer on the economic questions of which he is an acknowledged master, has hitherto put his erudition before the public in a form which has made it somehow difficult for the ordinary seeker after information to swallow and assimilate the diet provided. In the book that is before us he has evidently tried hard, and with a good deal of success, to make the light that he brings to bear on the question of war and economics really shine into the darkness which enshrouds the view of the general public on the matter. Much that he tells us on Economic Causes of War, Resources Available for War, Real and Money War, Costs and Expenditure, Taxes *versus* Wars, Finance by Bank Credits, Price Control, Rationing, &c., is well worth reading and pondering, though perhaps sometimes a little bewilder-

ing to the ordinary reader owing to the excessive refinement of analysis in which the Professor delights; but the latter part of the book dealing with the situation that has been left by the war and the remedies to be applied to it, is most likely to arrest the attention of the practically minded reader, and to it we propose to give most attention. Before doing so, however, we suggest that in the Professor's chapter on "The Economic Causes of War," though he says much concerning financiers and concession hunters as a danger to international harmony he seems to us to lav very insufficient stress on the great weight that has been thrown by traders and financiers on the side of peace. And is he correct in stating in this chapter that "an indemnity is equivalent to . . . the receipt of a foreign loan on which no interest need be paid"? Does not the receipt of a loan imply repayment and does not this make a very serious difference between it and an indemnity?

On the subject of the Aftermath in Currency and Exchanges Professor Pigou gives an interesting survey of the methods by which the monetary system of this country, and of others which worked theirs on more or less similar lines, was gradually undermined and turned upside down during the course of the war; and of the hindrances to trade that arise from the economic chaos which has thus been produced by the kite-flying propensities of the makeshift financiers who ruled our destinies. Coming to the remedy he tells us that "the best way to lessen exchange fluctuation is, as it seems to me, to aim at the restoration in as many countries as is possible of an effective gold standard, under which gold shall again be freely obtainable for export at a fixed parity with currency." This restoration was put forward as the ideal to be aimed at by the Brussels Conference a year ago, and at another International Conference in London this summer; it does not, of course, imply either the actual internal circulation of gold coins or the re-establishment of the pre-war parity between gold and the currency of any country. The Professor raises a very practical question when he proceeds to consider the case of a country "in which as in the United Kingdom new credit creations have come to an end" (let us hope that he is right about this). Until this has happened, as he very rightly observes, no further step can be taken. Ought such a country to "devaluate" its currency on the basis of the present exchange or try to get back to pre-war parity or aim at a halfway house? This question is one of which we shall probably hear a good deal in the course of the next few years. The Professor's answer is as follows: "For the United Kingdom where the American exchange has only depreciated some 20%, the balance of argument is, I think, in favour of an ultimate and not too long delayed return to pre-war parity; for Austria and probably Germany it points to a substantially lower parity, for Italy and France the issue is less clear, but there can be no doubt that, if a return to pre-war parity is aimed at, the strain will be exceedingly severe, and the process of return must be slow."

Dealing with the Aftermath of Debt the Professor gives many pages to the advantages, as a means of escape from it, of a Levy on Capital, of which he is a consistent and distinguished advocate. He argues that even in the case of taxation the proceeds of which are simply transferred within the country, high rates of taxation will discourage work and saving and so check national productivity. Here he is probably right in the main, though he seems to be much too sweeping and positive. There are, now, many people still working hard and saving steadily who would have retired years ago if high taxation had not, by preventing them from saving as much as they thought they needed, kept their noses to the grindstone. The other arguments, and there are many, that make up the case for the Levy on Capital are put with force by Professor Pigou. But it seems to us that he does not attach nearly enough force to the arguments against it, which are, in our opinion, considerably more weighty on balance; and some of his arguments seem to be quite amazingly academic. He contends, for example, that "industrial capital consists of factories, machines, materials, and the stores of goods out of which real wages come. None of these are withdrawn. The utmost that can happen is that so much purchasing power is taken by the Government from one set of people (the payers of the levy) and handed over to another set of people (holders of War Loan) inside the same country. This can have no direct effect upon industry in general." In theory perhaps maybe true, but in fact the uncertainty that would be involved, by the mere prospect of a levy, concerning the ownership of these properties might surely have very serious reactions upon their management and upon the ability of their owners to raise credit upon them. Another unconvincing effort is when he tries to answer the contention that a levy on capital would not really benefit taxpayers, as its supporters try to show, because, Governments being what they are, the money saved on the debt charge would not be remitted from taxation but would still, at least to a great extent, be collected by the Government and spent, probably wastefully and improperly. "Should," says the Professor, "new Government expenditure be undertaken in consequence of the relief to the Budget brought about by debt repayment, it is gratuitous to assume that it will all be mere waste." Perhaps it is, but those who bring forward this argument make no such assumption. All that they maintain is that the whole of the promised relief to the taxpayer will not happen and that some of the money now used in paying debt interest will be ill spent by the Government. This may not be a certainty, but it is "Lombard Street to a china orange" that it will be true. The very difficult problem of bringing within the net of a capital levy earners of enormous incomes who have dissipated them as received, is left unsettled, as it seems to us, by Professor Pigou in the unsatisfactory sentence which observes that "it is sufficient to recognise that the evaluation of immaterial capital for the purpose of a special levy is impracticable and that owners of such capital must be brought under contribution somehow through their incomes." It is easy to say "somehow," but echo answers how?

Publications Received

Lloyds Bank, Monthly Financial Report, for October. Leading article on Bills of Lading at the Hague Conference.

Anglo South American Bank, October Circular. Cabled reports on credit, trade conditions, etc., from its branches in Paris, Spain, New York, and Central and South America.

War Costs and Their Financing. By E. L. Bogart Professor of Economics in the University of Illinois. D. Appleton: $3 net.

FIGURES AND PRICES

GOVERNMENT DEBT (in thousands)

	Oct. 15, '21.	Oct. 8, '21.	Oct. 16, '20.
	£	£	£
Total deadweight	7,649,513	7,740,555	7,737,196
Owed abroad	1,108,480	1,138,037	1,162,571
Treasury Bills	1,150,030	1,161,520	1,071,887
Bank of England Advances	46,750	37,250	63,000
Departmental do.	159,033	157,283	184,614

NOTE.—The highest point of the deadweight debt was reached at Dec. 31, 1919, when it touched 8,033 millions. On March 31 last it was stated in the Budget speech to be 7,573 millions. Of the increase shown since then 102 millions represent a nominal addition, due to a conversion scheme.

GOVERNMENT ACCOUNTS (in thousands)

	Oct. 15, '21.	Oct. 8, '21.	Oct. 16, '20.
	£	£	£
Total Revenue from Ap. 1	488,186	474,583	682,113
„ Expenditure „ „	552,289	540,338	587,565
Surplus or Deficit	— 64,103	— 65,555	+94,548
Customs and Excise ...	166,501	161,367	169,155
Income and Super Tax ...	150,874	147,297	135,374
Stamps	8,211	7,536	14,204
Excess Profits Duties ...	29,464	28,644	119,173
Post Office	25,250	24,000	25,000
Miscellaneous—Special ..	53,256	52,417	174,840

BANK OF ENGLAND RETURNS (in thousands)

	Oct. 19, '21.	Oct. 19, '21.	Oct. 20, '21.
	£	£	£
Public Deposits	14,794	15,016	16,539
Other ,, ...	156,809	131,790	125,844
Total	171,603	149,806	142,383
Government Securities	79,716	64,851	61,620
Other ,, ...	86,416	80,372	83,879
Total	166,132	145,223	145,499
Circulation	123,684	124,613	127,054
Less notes in currency res.	104,234	105,163	108,304
Coin and Bullion	128,417	128,413	123,148
Reserve	23,183	22,258	14,545
Proportion	13.5%	14.8%	10¼%

CURRENCY NOTES (in thousands)

	Oct. 19, '21.	Oct. 12, '21.	Oct. 20, 20.
	£	£	£
Total outstanding	310,754	313,593	355,904
Called in but not cancll d.	1,850	1,866	3,109
Gold backing	28,500	28,500	28,500
B. of E. note	19,450	19,450	18,750
Total fiduciary issue ...	260,954	263,777	305,545

NOTE.—The maximum fiduciary issue for 1921 has been officially "fixed" at £317,555,200.

BANKERS' CLEARING RETURNS (in thousands)

	Oct. 19, '12	Oct. 12, '21.	Oct. 20, '20.
	£	£	£
Town	539,816	520,889	610,173
Metropolitan	32,129	31,246	41,313
Country	60,095	60,997	83,060
Total	632,040	613,132	734,546
Year to date	27,994,038	27,361,998	31,712,640

MONEY RATES

	Oct. 20, '21.	Oct. 13, '21.	Oct. 20, '20.
	%	%	%
Bank Rate	5½	5½	7
Do. Federal Reserve N.Y.	5	5	7
3 Months' Bank Bills ...	4⅛	4⅜	6⅝
6 Months' Bank Bills ...	4⅛	4⅜	5¼
Weekly Loans	5	4	5¼

FOREIGN EXCHANGES

NORTH AMERICAN			
New York, $ to £......	3.92½	3.84	3.44¼
Do., 1 month forward	3.93¾	3.84⅛	—
Montreal, $ to £	4.29½	4.20	3.78
Mexico, d. to $...........	2/9	2/9	—
SOUTH AMERICAN			
B. Aires, d. to $	44½d.	45¾d.	56½d.
Rio de Jan., d. to milrs	7 13/16	8 3/16d.	12 1/16d.
Valparaiso, $ to £	34	32.30	—
Montevideo, d. to $ ...	41¼	42½	56¾d.
Lima, per Peru £	10% prem.	6½% prem.	—
EUROPEAN			
Paris, frcs. to £	54.40	54.00	53.06½
Do., 1 month forwd....	54.40	54.00	—
Berlin, marks to £ ...	607	550	241
Brussels, frcs. to £ ...	55.35	54.10	50.31½
Amsterdam, fl. to £ ...	11.56	11.46	11.17
Switzerland, frcs. to £	21.40	20.90	21.76
Stockholm, kr. to £ ...	16.97	16.64	17.42½
Christiania, kr. to £ ...	30.70	31.75	25.17½
Copenhagen, kr. to £..	20.50	20.25	24.55½
Helsingfors, mks. to £	250	250	149½
Italy, lire to £	99¾	103	91.25
Madrid, pesetas to £...	29.90	28.80	24.18½
Greece, drachma to £	90½	93½	35.00
Lisbon, escudos to £...	5⅝	6	10⅛d.
Vienna, kr. to £	6500	7,500	975
Prague, kr. to £	362	355	280
Bucharest, lei to £	535	510	200
Belgrade, dinars to £...	265	230	—
Sofia, leva to £.........	525	525	—
Warsaw, marks to £...	17,000	15,000	950
Constantinople, pesetas to £	740	665	—
EASTERN			
Alexandria pesetas to £	97½	97½	97½
Bombay, d. to rupee / Calcutta, d. to rupee	16¼d.	37d.	19½d.
Hongkong, d. to rupee	33d.	17½d.	46d.
Shanghai d. to tael ...	46d.	49d.	60d.
Singapore, d. to $ ...	27⅞d.	27¾d.	27 27/32d.
Yokohama, d. to yen ...	29¼d.	30⅝d.	35¼d.

UNEMPLOYMENT

	Oct. 7. 1921.	Sept. 30 1921.	Nov. 26 1920.
Men	1,057,800	1,076,700	378,284
Women	225,400	230,100	103,420
Juveniles	91,800	96,900	42,704
Total	1,375,000	1,403,700	524,408
Short Time	308,063	322,815	—

NOTE.—In addition to those on the "live" register of the Labour Exchange, 395,251 persons who are wholly unemployed have exhausted their Unemployment Insurance and have not maintained their registrations for employment. On October 7 the number of such persons whose benefit was exhausted and who had maintained their registrations was 183,997, the number of short-time workers in the same category being 45,455.

COAL OUTPUT

Oct. 8, 1921. tons.	Oct. 1, 1921. tons.	Oct. 2, 1920. tons.
4,287,900	4,114,200	4,702,800

IRON AND STEEL OUTPUT

	1921. Sept. tons.	1921. Aug. tons.	1920. Sept. tons.
Pig Iron		94,200	741,000
Do., eight months ...		1,670,800	6,005,700

	1921. Aug. tons.	1920. Sept. tons.
Steel Ingots and Casting	434,100	884,700
Do., eight months	1,966,300	6,792,300

INDEX NUMBERS

Wholesale—(Economist).	Sept. 1921	Aug. 1921	Sept. 1920	July 1914
Cereals and Wheat ...	1,119½	1,184	1,504	579
Other Food Products (Tea, Sugar, etc.) ...	688	716¼	928	352
Textiles	1,258	998	2,362½	616½
Minerals	871	920½	1,311	464½
Miscellaneous (Rubber, Timber, etc.)	987½	1,000	1,539½	553
Total	4,924	4,819	7,645	2,565

BOARD OF TRADE

Retail—	Sept. 1921.	Aug. 1921	Sept. 1920.	July. 1914.
Food only	220	225	270	100
All Items*	210	220	261	100

* Food, rent, clothing, fuel, light, etc.

SECURITY PRICES.

	Oct. 20 1921.	Oct. 13. 1921.	Oct. 20, 1920.
BRIT & COLONIAL GOVT			
Consols	48⅜	49	45¼
War Loan 3½% ...	89¼	88¾	81¼
Do. 4½% ...	82¼	82	78
Do. 5% ...	89⅞	89⅞	84¾
Do. 4% ...	96½	96½	94¼
Funding 4% ...	72¼	72½	67¾
Victory 4% ...	76¾	77½	73⅜
Local Loans 3% ...	52¾	53	50
Conversion 3½% ...	62¼	62⅜	—
Irish Land 2¾% ...	49	49	45
Bank of England ...	184	184	167½
India 3½% ...	57½	57¾	53¼
Liverpool 6% ...	101½	101½	99
Birmingham 6% ...	103	102	98
FOREIGN STOCKS			
Argentine 5% ...	94¼	94	90
Belgian 3% ...	61½	62¼	55½
Brazil 5% ...	71	71	70
Chilian 4½% ...	80	80	72
Chinese 5% '96	83	84¾	71
Egyptian 4% ...	67½	67½	65
French 4% ...	28	30½	39½
German 3% ...	3½	3½	5⅞
Greek 4% ...	30	30	41½
Italian 3½% ...	22	22	27½
Japanese 4½% (1st)	107	110	107
,, 4% (1905)	89	89¼	82½
Mexican 1899 ...	62	68	58
Peruvian Corp. Pref.	15	16	26½
Russian 5% ...	6½	7	23
Spanish 4% ...	71	71½	85½
HOME RAILS			
Gt. Central Pref. ..	7¾	18½	11
Gt. Eastern	26	26¼	30¼
Gt. Northern Def. ...	23½	24	28
Gt. Western	63½	65	75¼
Lancs and Yorks ...	44½	45¼	53
Lond. Brighton Def.	36	36½	44½
Lond. Chatham ...	5¾	5¼	7⅞
L. & N.W.	65¼	66¼	75¼
L. & S.W. Def. ...	16¾	18	20
Metropolitan	23½	24	21
Do. District	16¼	16⅛	18½
Midland Def.	38	40	48
North Brit. Def. ...	9⅞	10	11½
North Eastern	68	69¼	77½
South Eastern Def.	19¾	20½	28
Underground Electric	5/-	5/9	7/0

FOREIGN & COLONIAL RLYS.			
Antofagasta	41	40	64
Argentine N.E. ...	13	14	23½
B.A. Gt. Southern	51	51½	69
Do. Pacific ...	30	35	51½
Do. Western ...	50½	51	70
Canadian Pacific ...	142	146	179½
Central Argentine ...	46½	49	61
„ Uruguay ...	34	37	60
Cordoba Central ...	9	11	17
Entre Rios	12	14	28
Grand Trunk	1⅜	1 9/16	4¾
Do. 3rd Pref.	4	4½	12
Gt. Western Brazil	1½	1¾	3½
Leopoldina	17	17½	31
Mexican	13	14	18
San Paulo	95	97	131½xD
United of Havana ...	44	48	77½
INDUSTRIALS, ETC.			
Armstrong	15/6	16/6	21/0
Ass. Portland Cement	13/0	14/10½	25/0
B.S.A.	7/0	7/3	19/0xD
Borax Def.	30/9	30/6	33/0
Brit.-Amer. Tobacco	61/3	3 1/16	3 9/16
Brunner Mond ...	21/0	22/3	31/0
Coats	2 9/32	2 5/16	2 9/16
Courtauld	32/10½	32/9	6¾
Dorman Long	15/9	15/9	23/0
Dunlop	6/3	7/3	27/6
General Electric ...	16/0	17/0	25/6
Hudsons Bay	5½	5 5/16	6 3/16
Imp. Tobacco	47/9	49/0	49/0
Lister	15/0	15/4½	24/0
Lyons	2 21/32	2 11/16	4¼
Marconi	9/16	1 11/16	2¾
Maypole Def.	6/3	7/1½	10/9
United Alkali	12/6	9/16	1⅜
United Steel	9/6	9/9	16/6
Vickers	10/4½	10/9	21/0
SHIPPING.			
Cunard	16/6	17/6	22/6
Furness Withy ...	23/0	24/0xD	28/0
P. & O. Def.	340	345	395
Royal Mail	82	83	105

BREWERIES			
Allsopps	50	49½	72½
Bass	27/0	27/6	1⅝
Guinness	395	380	315
Watney Def.	125	131½	148
RUBBER			
Anglo-Malay	18/9	20/0	32/6
Cicely	4/0	4/0	9/6
Linggi	22/6	1 3/16	46/3
Rubber Trust	12/3	12/3	22/3
Sialang	17/6	1⅝	41/3
Vallambrosa	11/0	11/3	17/6
OIL			
Anglo-Persian 2nd Pref.	22/0	21/9	—
Burmah	5⅜	5 9/16	8
Kern River	20/0	19/7½	27/9
Lobitos	3 3/16	3 5/16	4⅜
Mexican Eagle	3 3/32	3⅝	11⅝
North Caucasian ...	½	11/16	1 3/16
Royal Dutch	32⅝	35	68
Shell	4 9/32	4 9/16	6 13/16
MINES			
Brit. South Africa Co.	10/1½	11/0	15/10½
Broken Hill Property	1 9/16	1 9/16	2⅜
Burma Corporation ...	6/3	6/0	11/3
Central Mining	6/8	6½	8⅛
Conca Mines Selection	13/-	13/9	20/6
Crown Mines	1 27/32	1 15/16	2 9/16
De Beers Def.	11	11 5/16	16½
Modderfontein	3¾	3¾	3⅝
Mount Morgan	⅝	⅝	⅞
Premier Def.	5¼	5¾	9½
Rand Mines	2⅛	2¼	2 13/16
Rio Tinto	26	27½	28½
Springs	1⅞	2 1/16	1 15/16
Taganyika	19/6	20/0	1 7/16
Leonoh	1⅛	1¼	1½
Van Ryn Deep	3 7/16	3 9/16	3¾

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